

**REPORT OF THE AUDIT OF THE
JESSAMINE COUNTY
CLERK**

**For The Year Ended
December 31, 2006**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE JESSAMINE COUNTY CLERK

**For The Year Ended
December 31, 2006**

Mountjoy & Bressler, LLP has completed the Jessamine County Clerk's audit for the year ended December 31, 2006. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$29,099 from the prior year, resulting in excess fees of \$ 671,121 as of December 31, 2006. Revenues increased by \$1,161,281 from the prior year and expenditures increased by \$1,190,380.

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS	3
NOTES TO FINANCIAL STATEMENT.....	6
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	10

The Honorable William Cassity, Jessamine County Judge/Executive
The Honorable Eva L. McDaniel, Jessamine County Clerk
Members of the Jessamine County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Jessamine County, Kentucky, for the year ended December 31, 2006. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2006, in conformity with the regulatory basis of accounting described in Note 1.

The Honorable William Cassity, Jessamine County Judge/Executive
The Honorable Eva L. McDaniel, Jessamine County Clerk
Members of the Jessamine County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2007 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Jessamine County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Mountjoy & Bressler, LLP.

Mountjoy & Bressler, LLP

March 28, 2007

JESSAMINE COUNTY
EVA L. MCDANIEL, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2006

Revenues

State Fees For Services \$ 15,989

Fiscal Court 136,853

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers \$ 1,443,846

Usage Tax 9,357,755

Tangible Personal Property Tax 3,775,342

Other-

Fish and Game 2,852

Marriage 12,752

Occupational 50

Deed Transfer Tax 373,442

Delinquent Tax 758,580 15,724,619

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts 30,124

Real Estate Mortgages 128,403

Chattel Mortgages and Financing Statements 127,410

Leases 161

Liens & Lis Pendens 10,806

Power of Attorney 3,597

Lien Release Fees 13,487

Releases 35,576

Wills and Estates 875

All Other Recordings 8,782

Charges for Other Services-

Vehicle Transfer Record 59,516

Housing Authority 29,550

Postage 6,683

Candidate Filing Fees 2,180

Notary Fees 6,326

Copywork 16,673 480,149

The accompanying notes are an integral part of this financial statement.

JESSAMINE COUNTY
 EVA L. MCDANIEL, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2006
 (Continued)

Revenues: (Continued)

Other:

Miscellaneous		\$	4,153
---------------	--	----	-------

Interest Earned			41,756
			<hr/>

Total Revenues		\$	16,403,519
----------------	--	----	------------

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	1,081,218	
------------------------	----	-----------	--

Usage Tax		9,029,429	
-----------	--	-----------	--

Tangible Personal Property Tax		1,429,785	
--------------------------------	--	-----------	--

Licenses, Taxes, and Fees-

Fish and Game		2,389	
---------------	--	-------	--

Delinquent Tax		90,288	
----------------	--	--------	--

Legal Process Tax		40,460	
-------------------	--	--------	--

Housing Authority		29,550	\$ 11,703,119
		<hr/>	

Payments to Fiscal Court:

Tangible Personal Property Tax		288,367	
--------------------------------	--	---------	--

Delinquent Tax		44,001	
----------------	--	--------	--

Deed Transfer Tax		354,770	687,138
		<hr/>	

Payments to Other Districts:

Tangible Personal Property Tax		1,902,847	
--------------------------------	--	-----------	--

Delinquent Tax		438,191	2,341,038
		<hr/>	

Payments to Sheriff			3,111
---------------------	--	--	-------

Payments to County Attorney			118,459
-----------------------------	--	--	---------

JESSAMINE COUNTY
 EVA L. MCDANIEL, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2006
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay:

Personnel Services-			
Deputies' Salaries	\$	533,657	
Materials and Supplies-			
Office Supplies		39,510	
Other Charges-			
Microfilming & Indexing Records		82,018	
Employee Training Programs		65	
Preparation of 2005 Tax Bills		6,116	
Reimbursed Expenditures		5,947	
Postage		128	
Refunds		117,436	
Clerk's Insurance & Bonds		990	
Dues & Memberships		6,543	
Uncollected NSF Checks		896	
Capital Outlay-			
Hardware and Software Maintenance		835	\$ 794,141
Total Expenditures			<u>\$ 15,647,006</u>
Net Revenues			\$ 756,513
Less: Statutory Maximum			<u>78,490</u>
Excess Fees			678,023
Less: Expense Allowance		3,600	
Less: Training Incentive		<u>3,302</u>	6,902
Excess Fees Due County for 2005			671,121
Payments to Fiscal Court - March 14, 2007			660,416
Payments to Fiscal Court - April 2, 2007			<u>10,705</u>
Balance Due Fiscal Court at Completion of Audit			<u><u>\$</u></u>

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31, that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2006 services
- Reimbursements for 2006 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2006

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2006
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent for the first six months and 13.19 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

JESSAMINE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2006
(Continued)

Note 4. Lease

The Clerk's office was committed to the following lease agreement as of December 31, 2006:

<u>Item Purchased</u>	<u>Monthly Payment</u>	<u>Term Of Agreement</u>	<u>Ending Date</u>	<u>Principal Balance December 31, 2006</u>
Software	\$ 6,077	60 months	9/13/2009	\$ 194,464

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable William Cassity, Jessamine County Judge/Executive
The Honorable Eva L. McDaniel, Jessamine County Clerk
Members of the Jessamine County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Jessamine County Clerk for the year ended December 31, 2006, and have issued our report thereon dated March 28, 2007. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jessamine County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Jessamine County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Jessamine County Clerk's financial statement for the year ended December 31, 2006, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Jessamine County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Mountjoy & Bressler, LLP.

Mountjoy & Bressler, LLP

March 28, 2007

State law requires the Auditor of Public Accounts to annually audit fiscal courts, county clerks, and sheriffs; and print the results in a newspaper having general circulation in the county. The complete audit and any other audit of state agencies, fiscal courts, county clerks, sheriffs, property valuation administrators may be viewed in the reports section of the Auditor of Public Accounts' website at www.auditor.kv.gov or upon request by calling 1-800-247-9126.